

Meeting Minutes

Su-Knik Environmental Bank IRT Meeting

Date: August 30th, 2006

Attendees: No introductions

Steve Duncan and Phil North of the Environmental Protection Agency (EPA)

Phil Brna - FWS

Jack Hewitt and Nicole Hayes who will replace Skip Joy Army Corp of Engineers (ACOE)

Jonathan Taylor and Jean Hanson

Tracy McDaniels - Borough

Will Ashton - State

Mel Langdon - State

Jerome Ryan, Sustainable Environments LLC

Kevin Noon, Sustainable Environments LLC

Jake Hodge and Jeff Poetsch on the phone from Sustainable Environments LLC

Location: Historic Anchorage Hotel, in Anchorage

Starts at 8:27

Purpose of the meeting is to:

Review the documents delivered last week:

- Summary Prospectus
- Back up on the HGM process
- Present the methodology used to prepare these documents. Get comments. Make sure we are all on the same page.
- Discuss next steps

Discussed:

Summary Prospectus

SELLC prepared the Summary Prospectus based on the SEAlaska Umbrella Bank Project per IRT recommendation. It also incorporates other topics from the federal guidelines other topics that are typically in a prospectus. SELLC explained that traditionally the prospectus has a lot more introductory material but SELLC has already handed that information as separate papers - papers such as the one on Preservation, etc. A traditional

prospectus would have pinned all of that material on. This prospectus is a model that is closer to an MBI which is the ultimate goal.

IRT asked if SELLC is coming forward with the umbrella agreement instrument and then follow up with the site specific or include first site specific as a part of this umbrella agreement. SELLC confirmed that the first site specific bank will be submitted with the umbrella agreement.

SELLC went on to explain that the umbrella agreement sets down the basic concepts that each bank will have as it is brought under the umbrella agreement. Having this framework established will save time for everyone. It sets down the terms, definitions, and processes for bringing a bank in, how the credits are valued. It defines all of the properties, acreages, service areas, exact methodology for evaluating credits. The rest of the items like credit value will be detailed exactly on the methodology in the umbrella agreement MBI.

Each time a bank comes in the IRT will know what the process is and what documents will be delivered. As presented in the outline, each bank will have a survey, an HGM, a conservation easement, and the exact credits. In the future, should things change over time, everything is spelled out and locked in. It makes for an efficient process for everyone.

This is how the basically how an umbrella bank works. The difference between this and the SeaAlaska bank is that SeaAlaska is doing restoration and modifications whereas Su-
Knik there is no modification, its preservation.

Each site specific bank refers back the umbrella MBI for methodology for credit value. Would like to reduce the risk and test out the system with one of the three parcels. For eg. the Big Lake South area clusters of properties. Looking at the option of only locking up one parcel at a time but SELLC has not decided on that right now. They suspect once things are rolling they will lock up all of the parcels at once in the Big Lake South cluster. But right now site specific means each parcel in the individual bank cluster.

SELLC is looking at banking one property at a time versus all the parcels in the individual bank cluster because it allows them the flexibility of following the mitigation demand without encumbering a property that will not be needed for mitigation. If they put a conservation easement on a property and no demand occurs the MBI does not allow any back tracking. So if demand doesn't come through or the permit enforcement doesn't happen these properties would be locked up without any value left on them. That's why we are staging the lock up of properties to make sure there is demand. The last thing the Borough wants is to have these properties locked up in conservation easements with no way to get money back out of them. These are big properties. However, if everything is clearly spelled out in the umbrella agreement we could go ahead lock up properties.

IRT is comfortable with what is in the outline but not "locking things in". It makes IRT uncomfortable. The credit value can be defined but they always like to have the option to tweak things as need be.

SELLC agreed that there should be caveat language to handle the flexibility. Mentioned page 8 has a section called modification of the agreement. Asked for language from IRT if it is something different than what is there.

SELLC wants to get initial approval on how credit is valued. But that can change easily. Referred to page 10 as the checklist that will be followed for each bank submittal.

SELLC expects demand to be 6-8 acres of preserved land per acre of impact. They expect that over the next 4-5 years the Su-Knik Bank ends up with a 200 acre preserve. That is based on 30 – 40 acres of impact. This is the estimate based on the Feasibility Study for the Mat-Su Borough Wetland Mitigation Banking Project.

The Mitigation Process

How can SELLC help them enforce the mitigation process?

IRT said enforcement is poor choice of words. It is not an enforcement process. It is whether or not mitigation is needed. IRT anticipates that more mitigation will occur as more impacts occur due to development. IRT anticipates that the requirements will increase and be a requirement as the Borough continues to grow. But they understand that SELLC wants to see mitigation as a requirement of the permitting process. IRT had a conversation yesterday and determined that this is not primary preferred option for mitigation. They still want to follow the sequence of avoid, minimize, and then on-site mitigation or in-the-area mitigation. The higher ups in Juneau are concerned that this be clarified somewhere in the document.

IRT acknowledged that SELLC has been good in documenting that sequencing is first. IRT needs to make sure they are clear on that and passing it on to their officials.

IRT member asked - Is Corps going to more officially require mitigation instead of hit or miss in the Valley now? They noted that they require it in Anchorage.

Corps said Anchorage has a credit debit system. Corps said for the Valley it will still be on a case by case basis and dependent on the project manager. They try to be consistent. But they cannot say how much mitigation will be needed and they can't say it will be for every project. The requiring of mitigation has been a slow process.

SELLC concurs that sequencing is still the process and has documented that in the series of reports that were prepared over the past year. Sequencing is standard language in the MBI. But SELLC is counting on the IRT to balance and ask is the on-site mitigation a better ecological solution versus the preservation from the bank. Especially for impacts to high quality wetlands. To make a judgment of what is the best bang for the buck

ecologically. For example for on-site fish impacts or water quality, do you place bollards around the site or is it better to use the bank.

SELLC asked how they can help strengthen the process of compensation.

CORPS said the way to strengthen the process is for the commenting agencies and public to justify the need. It is up to public to speak up. If they get no comments less likely mitigation will be required. If no interest the CORPS makes the decision based on the best of their knowledge. They don't always have the resources to know the area intimately. So they rely on the local agencies and the public. Right now USFWS is commenting on only 5% of the CORPS permits because don't have enough resources.

Mapping the Wetlands of Mat-Su

The mitigation process discussion led to a conversation of the need for mapping the wetland of the Mat-Su Valley.

USFWS has been talking in-house about creating such a plan. It would include the NWI maps, watersheds, Anadromous fish streams and land ownership. The CORPS is working with in-house GIS people to create such a map. They have discovered a lot of good information out there. They also realize they quality of the map will be based on the quality of the data.

SELLC mentioned that they have created such a map (this is exactly the data that forms the maps they have been seeing.) and that now with the HGM data they could make detailed data available. This detailed information may be helpful in extrapolating data to other areas.

SELLC mentioned that in the lower 48 bankers have provided funding for positions. Perhaps this could be considered here.

Everyone agrees that this mapping will be valuable.

Let's keep the conversation going.

In-Lieu-Fee Programs

IRT asked - How is a bank better/different than in fee-in-lieu programs?

SELLC has heard that money has been put into in-lieu -fee programs but hasn't been implemented in terms of purchasing appropriate property. From conversations with the IRT during the feasibility study we heard that it has been used for different reasons. It has not had a good history of implementation on the ground in terms of replacing or preserving wetlands, as a result there is a significant net loss of wetlands.

One of the good things about the bank is that they were chosen for their ecological value and the size of the property. Smallest size is 200 acres some areas are 2000 acres. The bank has the ability to lock up and preserve the large acres. You know what you're getting with this property.

The added gun in making a decision on fee-in-lieu is to ask the question are the funds being used appropriately and are you getting a better ecological bang for the buck than using the bank. Are you getting what you're paying for or is it just being put in a slush fund.

CORPS is researching fee-in-lieu since last year. It is why the mitigation team was formed. The Great land Trust kept good records of when money was received and what was spent. Another organization has fairly good records, but who is tracking and approving the actual use of the money?. CORPS agrees with SELLC that the money does not need to go into a black hole.

IRT noted that the major advantage of the bank is that we have large blocks of high value high functioning wetlands that we can lock up.

Current state in-lieu-fee program is that there is one in Anchorage district. Some of the money is restoration through the Great land Trust. Or it is earmarked for projects for restoration or mitigation projects.

Understand the CORPS can't say the permittee has to go to the bank. They can say this is what you need to mitigate this is what we expect.

SELLC thinks the CORPS should be able to tell a permittee that they have to go to the ecologically better solution.

SELLC thinks it is likely that the bank will be economically cheaper than an ecologically similar mitigation.

IRT members want to keep the in-lieu-fee open because it is the only option they have in a lot of areas of the state.

IRT mentioned that when the corps issues permit and requires mitigation and gives the permittee the option of coming up with their own mitigation, in-lieu-fee, or buying X number of credits from the bank, that they all be ecologically comparable.

Other IRT members recognized that the fee-in-lieu needs to be based things on ecological compatibility. Or some methodology that established the ecological value. Agencies need to discuss this.

Cost of an acre from the Bank

Phil Brna, asked what is the cost to buy an acre from the bank?

SELLC stated it depends on the quality and type of ecological function, competition, etc. SELLC said basically what they have in their mind is 3x' the appraisal value in their mind because of the risk. And explained that that includes all of effort they have done identifying the sites, permitting, documenting, etc. They also explained that their pricing will be based on the understanding of what it takes for the individual to do those things on their own i.e. – hire a consultant, find the property, permit etc. Finally, another thing to consider in accepting individual mitigation efforts are that the value of a parcel's HGM in the future. This banks large acreage will maintain the original HGM value longer than those who provide mitigation for them selves on smaller parcels. SELLC also noted that it would not behoove them to make the credits too expensive as they would not sell any credits, so that they will keep the credits affordable.

Steve Duncan interjected and strongly stated that the IRT needs to divorce themselves from the conversation of credit pricing. It will not be part of the MBI. It is none of their (IRT's) business. They (SELLC) will base their price on market demand. In-lieu-fee person said they just wanted to get a feeling for what people will be choosing - doing it themselves or pay \$30,000/acre for an in-lieu-fee.

Credit Value

How you use credit value and credit sale price are 2 different things. SELLC is defining 1 acre with an HGM of one. Very clear cut.

Service Areas

SELLC presented the map of the service areas. The delineation was determined by federal guidance talks about the watersheds to start with and the SeAlaska has the service area that size. But ours is focused on sub-sub-watersheds within the larger watershed. SELLC only taking those watersheds that are most appropriate to the different parcels. This is a significantly smaller service area than has been deemed appropriate in the Federal Guidance. Per the previous comments by the IRT area around Palmer was taken out.

IRT said it is a step in the right direction.

SELLC said this is getting tight for them. Biologists could argue that the compensation be 10 feet away but there is the need for an economically feasible area in order for the bank to work, this is called an incentive-based approach to resource management. If we want to realize the functional values of the bank then it needs to be economically feasible. The alternative is to not have the bank and return to the existing system of significant net loss of wetland functions.

Bank Areas

Discussed the white areas shown within the bank areas. So the sites may have more wetlands than what is shown. The delineation will define the wetlands even further.

Herrera mentioned they are done with field work. And they got very good information with the air photos and ground-truthing. They will combine it with the HGM report.

IRT felt they cannot require buying uplands when they buy into the bank for mitigation.

SELLC stated that if someone buys into the bank they will be buying the mosaic. It will be the mosaic that will be given a credit value. SELLC mentioned the previous discussions of the functional value of the uplands to the region and an even greater value as a landscape mosaic composed of uplands and wetlands. They would like to push that the uplands juxtaposed to the wetlands are more valuable than these huge flat wetland areas. It is the headwaters of the streams is what they are targeting.

One IRT member felt that this large mosaic is a very very valuable habitat. IRT needs to talk about the uplands and agree on that. Don't want to get to a point where the uplands are excluded from the wetlands and thus get developed. Need to make sure the Borough doesn't develop those.

SELLC asked that if not developing the uplands is a criteria for them that it be a criteria for anyone else. Asking for a level playing field, a fairness in determining the long term value of the bank. Again if you look into the future the acres at the bank will have a higher HGM than someone who developed a smaller mitigation compensation that is allowed to have development around it.

IRT said they need to be a lot more consistent.

The whole rapid assessment HGM paper they developed has nothing to do with the SELLC certification process. SELLC reminded the IRT that they asked SELLC to help them develop the tools by which they can start equating and using these banks or different mitigation. They are just bringing the methodology forward.

Is SELLC on right track?

Steve Duncan said that SELLC had given more than he ever anticipated.

IRT member - One thing that his agency is uncomfortable with is tidal estuarine areas. Mentioned on page 4 – add to the text that it doesn't include tidal or estuarine. Non-tidal waters will not be used to compensate tidal waters. This was spelled out in the SeaAlaska bank.

SELLC noted that it is not in their purview what to include/exclude. That they have no power over affecting who can use the bank or not. It is in the IRT's control. It is agencies decision.

SELLC gave an example of this. For example say the bank does not have lacustrine, SELLC would hope that IRT would come up with a ratio that allows a permittee to buy a

lot of riverine credit for lacustrine impacts. It is slightly out of kind but riverine is more valuable than the slope-flat all around. Or vice versa we would ask for much larger slope-flat areas for compensation for smaller riverine impact. Right now they are looking at straight in-kind at this point.

Long Term Management

Borough will retain fee title of the properties and incorporate those properties under their classification as wetlands. So there will be a double system of enforcement. As they sell a credit a portion of the credit sales price goes into an endowment. The 3rd party of the conservation easement holder will be using those funds to monitor the property. If they need to they could talk to Borough who would enforce the appropriate use of the property. Discussed on page 70- middle para.- Financial Assurances.

IRT – monitoring could it also be used for restoration, if something got damaged? SELLC can talk about how that will work with the borough.

Next step is IRT needs to meet and review their documents and meet just as the IRT. Then can get back to SELLC.

HGM Position Paper

The HGM document directly from the meeting 3 months ago. It is a walk through how you would come up with the compensation. One of the main things is that it deals with scarcity. Because as it stands now the through the HGM process AK stands to lose wetlands as it becomes more developed. It also deals with how to administer and how to streamline the process.

Discussed scarcity multiplier.

IRT complimented SELLC on the amount of footwork done for IRT. Appreciates it. A lot of things you've done I really appreciate it. IRT can create their own or look at this and tweak it.

Next Steps

HGM functional Evaluation

Will deliver the HGM functional Evaluation which did include the performing the rapid assessment method directly with the HGM.

2 questions SELLC has are how to move forward and what is the status of the education of the signatory?

SELLC noted the list of signatories with the exception of the USFWS are the same as they are for SeaAlaska. So a lot of the initial education has happened. SELLC asked for the list on the back to be verified by the IRT.

IRT - Get signatories from Shannon.

IRT assured SELLC that the signatories are educated.

Other conversations

Corps wanted to understand how the parcels selected. And asked specifically about the parcels near the Fish Creek area, why are parcels separated and can that parcel in the middle be developed? What about the road that enters the site.

SELLC explained the previous study and the process of selection. The selection was in concert with the IRT. As for the large parcels private parcels near Fish Creek, these particular parcels have a large amount of wetlands. For roads and easements, they will be surveyed and taken out of the bank. SELLC offered to get new IRT members the process of selection.

IRT mentioned that Willow Creek – not in a service area.

SELLC – it scored lower because others scored high. They would have to work with the Borough if this IRT thinks willow is going to grow.

IRT–The beauty of the umbrella agreement is that you can bring in other areas if they become available. It is an opportunity for of the bank to get a hold of areas in the core area.

Like Willow Creek and the Port MacKenzie Area was not included in the final selection since the bridge and ferry were viewed as not likely to happen. Two years ago it was decided there was no threat of development. Things have changed and SELLC is trying to work with the Borough in bringing this property into the umbrella. SELLC would like their support in convincing the Borough that the Port MacKenzie property is worth bringing in.

IRT member sent a letter to support this proposal because they are moving with the ferry and the new road construction proposed in the area.

SELLC asked CORPS to send a document for support.

Schedule

SELLC asked if there were any more main questions on the process and stated that they are ready to move forward and prepare the actual MBI for the first property. What is the appropriate process and timeline for IRT to review?

IRT - 60 days appropriate but could get together in the next 3-4weeks to discuss. The Corps, as chair of the IRT, needs to be the ones to get together with the rest of them. Proposed meeting in September with time to get comments to SELLC. May need day or

two after the meeting to decide on things after that meeting. Asked if SELLC has a specific list of what needs to be resolved. Anticipate mid-October for response to the document? Corps will take lead to set up and consolidate comments

Would like to see if the methodology can be extrapolated beyond this project.

SELLC and EPA discussed potential grants out there to help get database together. IRT mentioned there is one for tribal or state. Part of it could be used for the mapping.

SELLC noted there is a lot more detail in the documents than what was discussed in the meeting.

IRT – mentioned that the 6-8 documents SELLC has put together are a good read for those who haven't read them.

SELLC offered to provide them with any copies they need for the new members.

END